

ST. BERNARD PARISH ADULT DRUG COURT, INC.**FINANCIAL STATEMENTS****AS OF AND FOR THE YEAR ENDED JUNE 30, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 3/23/11

St. Bernard Parish Adult Drug Court, Inc.
Chalmette, Louisiana
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For the Year Ended June 30, 2010

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Durnin & James

CERTIFIED PUBLIC ACCOUNTANTS
A PROFESSIONAL CORPORATION
HAMMOND, LA

John N. Durnin, CPA
Dennis E. James, CPA
Lyle E. Lambert, CPA

Member
American Institute of CPAs
Society of Louisiana CPAs

Paul M. Riggs, Jr., CPA
Lynn N. Threeton, CPA
Robert W. Thompson, CPA

December 17, 2010

Independent Auditor's Report

The Honorable Manuel Fernandez, Drug Court Judge
and Honorable Judges
St. Bernard Parish Adult Drug Court, Inc.
Chalmette, Louisiana

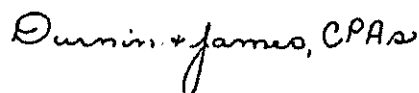
We have audited the accompanying statement of financial position of the St. Bernard Parish Adult Drug Court, Inc. (a nonprofit organization) as of June 30, 2010, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the St. Bernard Parish Adult Drug Court, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the St. Bernard Parish Adult Drug Court, Inc. as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2010, on our consideration of the St. Bernard Parish Adult Drug Court, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Respectfully submitted,



Durnin & James, CPAs
(A Professional Corporation)

Financial Statements

St. Bernard Parish Adult Drug Court, Inc.
Chalmette, Louisiana
Statement of Financial Position
June 30, 2010

Assets

Current Assets:	
Cash and Cash Equivalents	\$ 74,476
Receivables:	
Program Fees Receivable, Net of Allowance for Doubtful Accounts	6,265
Due from St. Bernard Parish Juvenile Drug Court, Inc.	11,660
Grants Receivable	<u>9,002</u>
Total Current Assets	<u>101,403</u>
Total Assets	<u>\$ 101,403</u>

Liabilities and Net Assets

Liabilities:	
Current Liabilities:	
Accounts Payable	\$ 6,772
Salaries Payable	4,989
Payroll Liabilities	<u>2,233</u>
Total Current Liabilities	<u>13,994</u>
Total Liabilities	13,994
Net Assets:	
Unrestricted	<u>87,409</u>
Total Net Assets	<u>87,409</u>
Total Liabilities and Net Assets	<u>\$ 101,403</u>

The accompanying notes are an integral part of these financial statements.

St. Bernard Parish Adult Drug Court, Inc.
Chalmette, Louisiana
Statement of Activities
For the Year Ended June 30, 2010

	<u>Unrestricted</u>
Support and Revenues:	
Grant Revenue	\$ 114,632
Program Fees	19,830
Interest	252
Total Support and Revenues	134,714
Expenses:	
Program Services - Drug Court:	
Administrative Expenses:	
Payroll and Related Benefits	64,452
Accounting and Auditing	11,800
Equipment	1,100
Membership, Dues, and Subscriptions	1,350
Office Expense	2,210
Professional Development	1,200
Taxes & Licenses	252
Testing & Laboratory	16,613
Treatment Expense	37,730
Bad Debt Expense	3,855
Total Program Services	140,562
Total Expenses	140,562
 Change in Net Assets	 (5,848)
 Net Assets - Beginning of the Year	 92,607
Prior Period Adjustment	650
Net Assets - Beginning of the Year, Restated	93,257
 Net Assets - End of the Year	 \$ 87,409

The accompanying notes are an integral part of these financial statements.

St. Bernard Parish Adult Drug Court, Inc.
Chalmette, Louisiana
Statement of Cash Flows
For the Year Ended June 30, 2010

Cash Flows from Operating Activities:	
Change in Net Assets	\$ (5,848)
Prior Period Adjustment	650
Adjustments to Reconcile Change in Net Assets to	
Net Cash Provided by Operating Activities:	
(Increase) Decrease in:	
Program Fees Receivable	(5,065)
Grants Receivable	180
Due from St. Bernard Parish Juvenile Drug Court, Inc.	(2,291)
Increase (Decrease) in:	
Accounts Payable	(685)
Payroll Liabilities	<u>166</u>
Net Cash Provided by Operating Activities	<u>(12,893)</u>
Net Increase in Cash	(12,893)
Cash - Beginning of the Year	<u>87,369</u>
Cash - End of the Year	<u>\$ 74,476</u>

The accompanying notes are an integral part of these financial statements.

St. Bernard Parish Adult Drug Court, Inc.
Chalmette, Louisiana
Notes to the Financial Statements
For the Year Ended June 30, 2010

Introduction

St. Bernard Parish Adult Drug Court, Inc. (the "ADC") is a non-profit entity established to provide an alternative to the singularly directed traditional criminal justice case management system of pursuing only punitive based sanctions in response to drug addiction of incarceration and its resultant increased costs in public resources to little or no avail in addressing, diminishing, or reducing criminal activity related to drug addiction and its consequences. This program includes the administration of the St. Bernard Parish Adult Drug Court, which is a part of the 34th Judicial District Court. At the present time, the ADC consists of two full-time employees.

1. Summary of Significant Accounting Policies

A. Basis of Presentation

The financial statements have been prepared on an accrual basis and in conformity with standards generally accepted in the United States of America.

B. Support and Revenue

For the year ended June 30, 2010, the ADC received funding of \$114,632 from the Louisiana Supreme Court Drug Court Office.

As the State of Louisiana is the ADC's major source of revenue, all grant receivables are expected to be fully collectible. Therefore, no provision for uncollectible grant income has been recognized in the accompanying financial statements. A significant reduction in the level of support provided by the State of Louisiana could have a significant impact on the ADC's activities.

The ADC also receives a monthly program fee from each participant of the ADC's program. Not all program fees are expected to be collectible. Therefore, a provision for uncollectible program fees of \$36,425 has been recognized in the accompanying financial statements.

C. Cash

Cash includes demand deposits.

D. Income Taxes

The ADC qualifies as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, has no provision for federal income taxes. However, should the ADC engage in activities unrelated to its exempt purpose, taxable income could result.

E. Fair Values of Financial Instruments

The ADC's financial instruments, none of which are held for trading purposes, include cash. The following methods and assumptions used by the ADC in estimating its fair value disclosures for financial instruments are:

Cash: The carrying amounts reported in the statement of financial position approximate fair value because of the short maturities of those instruments.

St. Bernard Parish Adult Drug Court, Inc.
Chalmette, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2010

F. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of support and revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

A significant estimate included in or affecting the presentation of the accompanying financial statements includes an allowance for doubtful accounts.

G. Statement of Cash Flows

For the purposes of the statement of cash flows, all investments with a maturity of 90 days or less from the date of purchase are considered to be cash equivalents.

H. Bad Debts

The ADC accounts for bad debts using the allowance method. The allowance is determined by periodic reviews of accounts receivable.

I. Financial Statement Presentation

The ADC follows ASC 958-20 (formerly Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations") with regard to its financial statement presentation. Under FASB ASC 958-20, the ADC is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. The ADC does not currently have any temporarily or permanently restricted net assets.

J. Contributions

The ADC records its public support in accordance with FASB ASC 958-605 (formerly SFAS No. 116, "Accounting for Contributions Received and Contributions Made"). In accordance with FASB ASC 958-605, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

All contributions are considered to be unrestricted and available for use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases these net asset classes. However, if a restriction is fulfilled in the same reporting period in which the contribution is received, the ADC reports the support as unrestricted.

St. Bernard Parish Adult Drug Court, Inc.
Chalmette, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2010

2. Cash

Cash at June 30, 2010, consisted of the following:

	June 30, 2010
Interest Bearing Demand Deposits	\$ 74,476
	\$ 74,476

3. Receivables

Receivables include amounts due from the State of Louisiana, St. Bernard Juvenile Drug Court, Inc., and the program participants at June 30, 2010 and are summarized as follows:

	June 30, 2010
Grants Receivable - State of Louisiana	\$ 9,002
Due from St. Bernard Juvenile Drug Court, Inc.	11,660
Program Fees Receivable	42,690
Less: Allowance for Uncollectible Program Fees	(36,425)
	\$ 26,927

4. Uncertainty in Income Taxes

The ADC has elected in the fiscal year ended June 30, 2010, to adopt the provisions of FASB ASC 740 (formerly FASB Interpretation 48, "Accounting for Uncertainties in Income Taxes").

The ADC files information returns in the U.S. federal jurisdiction. The ADC is no longer subject to U.S. federal examinations for years before 2006 and, currently, there are no returns under examination. The ADC has taken no tax positions that it considers to be an uncertain tax position.

5. Prior Period Adjustment

A prior period adjustment of \$650 was made in the current fiscal year to correct the beginning net asset (unrestricted) account as a result of assets transferred from the predecessor Drug Court Program from a previous fiscal year.

6. Related Party Transactions

As of June 30, 2010, the ADC is owed \$11,660 from the St. Bernard Juvenile Drug Court, Inc. (JDC). The ADC makes interest free loans to the JDC for general operating expenses. The JDC then reimburses the ADC as funding is received. The ADC and JDC share common control as both entities' board of directors are made up of the Judges of the 34th Judicial District Court.

St. Bernard Parish Adult Drug Court, Inc.
Chalmette, Louisiana
Notes to the Financial Statements (Continued)
For the Year Ended June 30, 2010

7. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, December 17, 2010, and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

**Other Independent Auditor's Reports and
Findings, Recommendations, and Responses**

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December 17, 2010

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

The Honorable Manuel Fernandez, Drug Court Judge
and Honorable Judges
St. Bernard Parish Adult Drug Court, Inc.
Chalmette, Louisiana

We have audited the financial statements of the St. Bernard Parish Adult Drug Court, Inc. (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon dated December 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the St. Bernard Parish Adult Drug Court Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Bernard Parish Adult Drug Court Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the St. Bernard Parish Adult Drug Court Inc.'s internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings, recommendations, and responses, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings, recommendations, and responses as item 06-03 to be a material weakness.

St. Bernard Parish Adult Drug Court, Inc.
Chalmette, Louisiana
December 17, 2010

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Bernard Parish Adult Drug Court, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The St. Bernard Parish Adult Drug Court, Inc.'s response to the finding identified in our audit is described in the accompanying schedule of findings, recommendations, and responses. We did not audit the St. Bernard Parish Adult Drug Court Inc.'s response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Louisiana Legislative Auditor, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,

Durnin & James, CPAs

Durnin & James, CPAs
(A Professional Corporation)

St. Bernard Parish Adult Drug Court, Inc.
Chalmette, Louisiana
Schedule of Findings, Recommendations, and Responses
For the Year Ended June 30, 2010

Internal Control over Financial Reporting

06-03 – Additional Safeguards Over Cash Receipts

Condition:

During our audit and testing of revenues, we noted that the Drug Court allows program participants to pay their program fees in cash. Allowing employees to receive cash creates an environment in which errors and irregularities could occur and not be detected and corrected in a timely manner. Improvement is necessary to maintain adequate internal controls over the cash receipt process.

This condition was also noted in the prior year.

Recommendation:

We recommend that the Drug Court prohibit the receipt of cash and require that payments be made by certified check or money order only.

Management's Response:

In management's response, dated December 22, 2010, management indicated that cash acceptance is viewed as a necessary step in their collection of Adult Drug Court program fees. The system of checks and balances instituted by the Adult Drug Court include the following:

- Receipt book (numbered) is maintained and balanced each month by an outside accounting firm, Boudreaux and Quatroy, CPA's.
- Secondary checks include the monthly statement each drug court client receives monthly that indicates credits and debits. Since our inception, no one has ever challenged the monthly statement.
- To send someone who has drug or alcohol dependency away with cash, management considers this to be rather tempting and the ultimate choice of getting high with the cash or purchasing a money order is one that tends to make accepting cash a good move.

Compliance and Other Matters

None

St. Bernard Parish Adult Drug Court, Inc.
Chalmette, Louisiana
 Summary Schedule of Prior Audit Findings
 For the Year Ended June 30, 2010

<u>Ref. #</u>	<u>Fiscal Year Findings Initially Occurred</u>	<u>Description of Findings</u>	<u>Corrective Action Taken</u>	<u>Corrective Action Taken</u>
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Internal Control over Financial Reporting

06-03	June 30, 2006	Additional safeguards over cash receipts	Partial	Drug Court still receives cash Outside accountant reconciles receipt book with deposit slips
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Compliance and Other Matters

None

Note: This schedule has been prepared by the management of the St. Bernard Parish Adult Drug Court, Inc.